

# ADVANCE INVEST UCITS MUTUAL FUND

*Q1 2024*

[www.karollcapital.bg/en](http://www.karollcapital.bg/en)

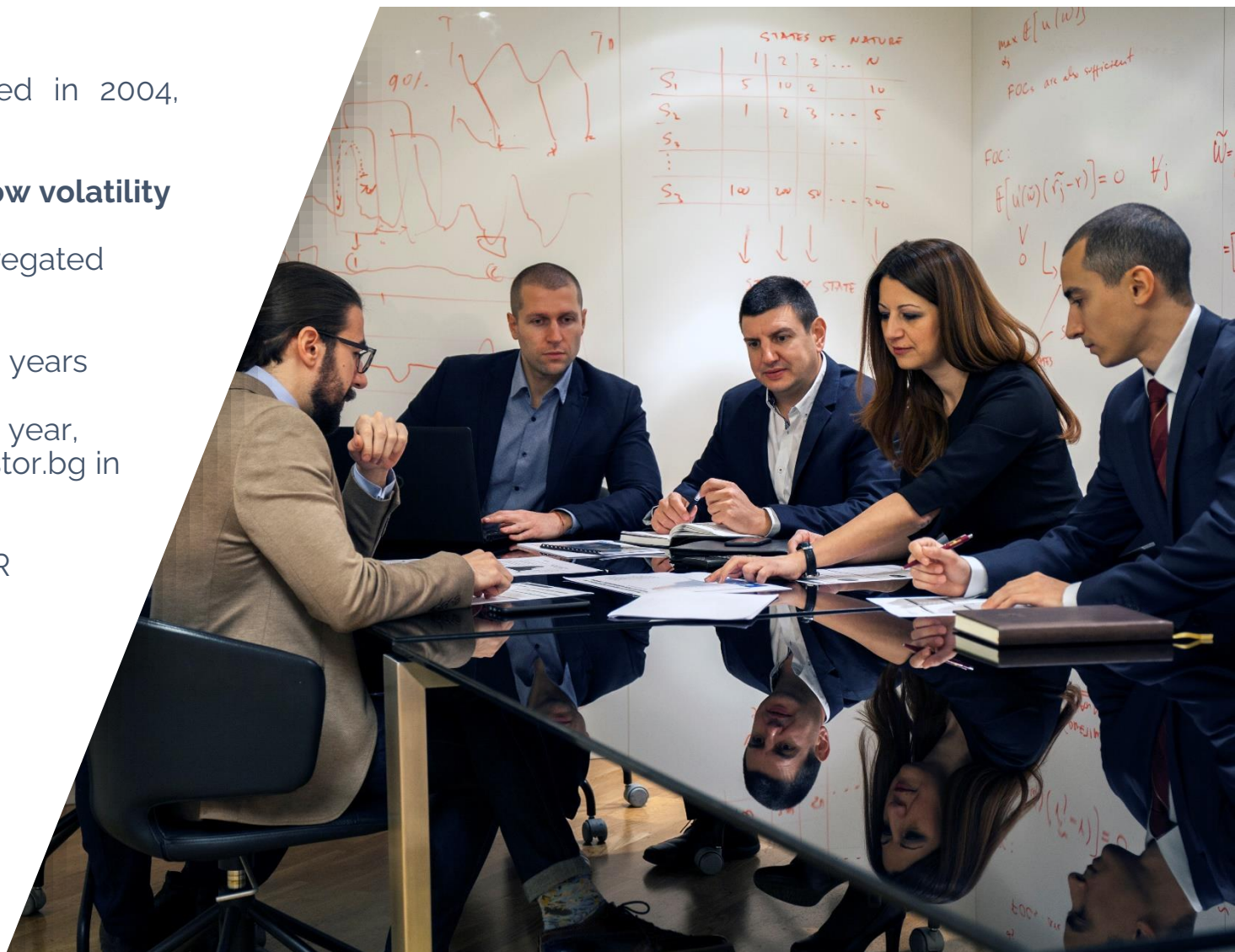


*Sofia, Bulgaria*

# Fund Highlights



- ◆ **The first equity mutual fund** in Bulgaria, launched in 2004, investing in Bulgaria and Romania
- ◆ **Long fund history** with consistent performance and **low volatility**
- ◆ **High degree of security**: fund assets are kept in a segregated account with the custodian bank (EFG Eurobank)
- ◆ **Consistent alpha generation**: +14.05% p.a. for the last 3 years
- ◆ **Best performer** among its 5 closest peers for the last 1 year, Emerging markets equity fund of the year award by Investor.bg in 2023 and in prior editions of 2020, 2019, 2018
- ◆ **Offering format**: UCITS fund, daily trading in BGN/EUR
- ◆ **ISIN**: BG9000014134     **Bloomberg**: ADVIMFD.BU
- ◆ **Fund fees**:
  - ◆ Management fee: 2.5% of NAV p.a.
  - ◆ entrance fee: 1%
  - ◆ no exit fee



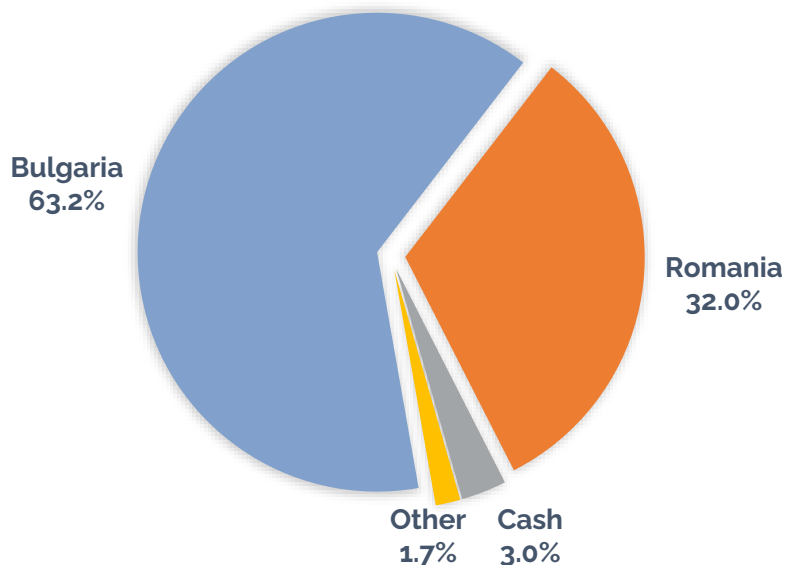
# Fund Strategy

- ◆ **Investment theme:** Balkan stock markets – Bulgaria and Romania
- ◆ **Investment style:** blended (value & growth), stock-picking, bottom-up combined with top-down and sector views, benchmark agnostic
- ◆ **Market cap:** regional large cap, but also small & mid cap
- ◆ **Sectoral areas of strength:** value investing, small caps, IPOs
- ◆ **Diversified portfolio with investments in** ~ 50 individual companies
- ◆ **Consistent alpha generation:** +14.05% p.a. for last 3 years
- ◆ **Low portfolio turnover** (~20% of assets p.a.) and limited volatility
- ◆ **Benchmark:** MSCI EFM Europe + CIS ex RU
- ◆ **Time-proven investment strategy** since May 2004

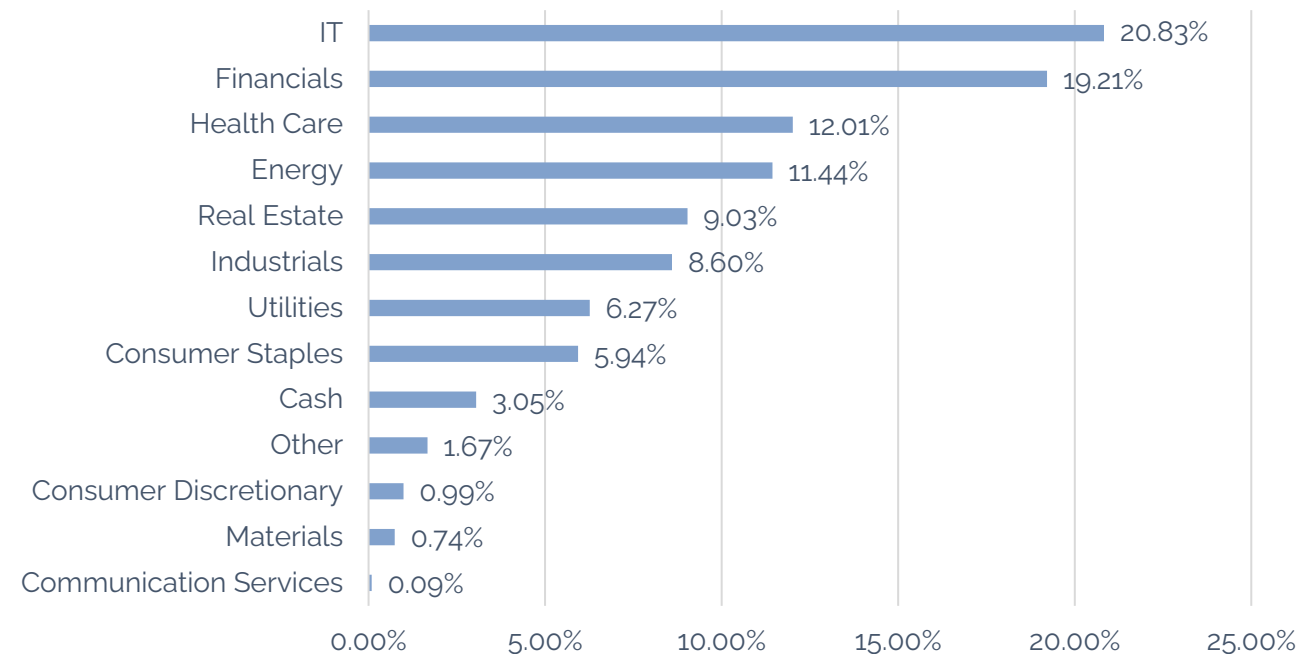


# Fund Portfolio Details

## Geographic breakdown (Q1 2024)

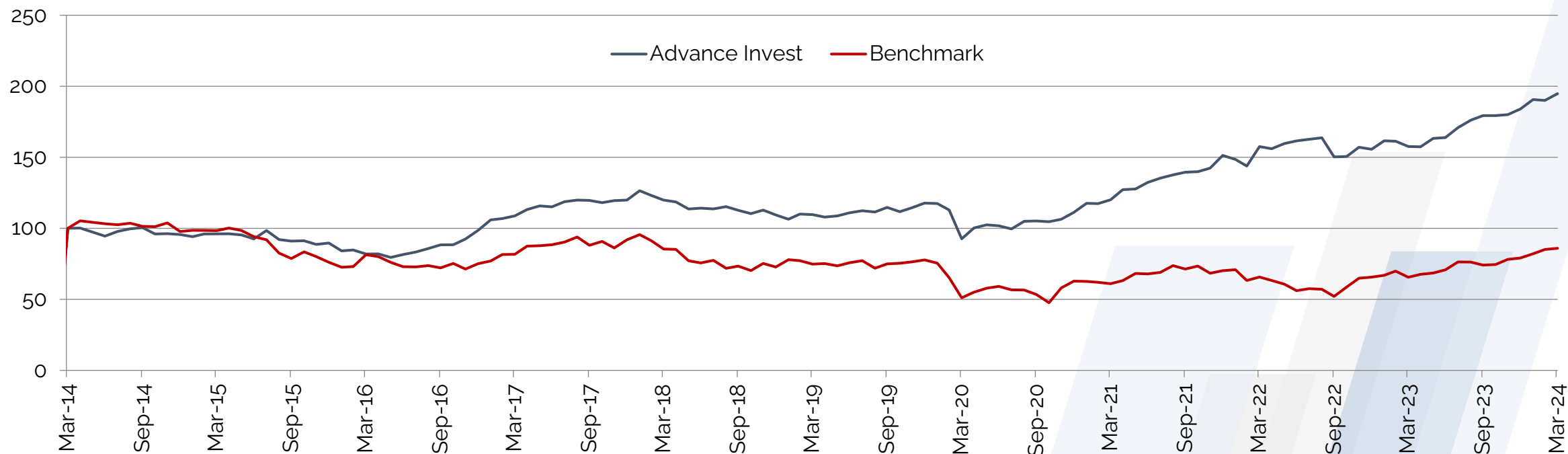


## Sector breakdown



Top 5 positions	% of portfolio	Country	Sector
Shelly Group	9.1%	Bulgaria	Information Technology
Sopharma	8.6%	Bulgaria	Healthcare
Sirma Group Holding	6.4%	Bulgaria	Information Technology
OMV Petrom	6.1%	Romania	Energy
S.P.E.E.H. Hidroelectrica S.A.	4.8%	Romania	Utilities

# Performance vs Benchmark



Strategy vs. Benchmark performance, in EUR, March-end, 2024	YTD	1 year	3y return (ann.)	5y return (ann.)	Volatility	Alpha	Div. Yield
MSCI EFM Europe+CIS ex RU	5.9%	23.6%	17.7%	12.2%	17.9%		3.5%
<b>Advance Invest Mutual Fund</b>	<b>+8.6%</b>	<b>+31.0%</b>	<b>+12.1%</b>	<b>+2.8%</b>	<b>10.0%</b>	<b>+14.0%</b>	<b>4.1%</b>

# INVESTMENT OPPORTUNITIES IN THE BALKANS



*Bucharest, Romania*

# The Investment Case for the Balkans

- ❖ **Bulgaria and Romania growing over 2 x faster than developed Europe** post pandemic → +2.3% and +2.0%, respectively, CAGR b/n 2019-2023 vs. +0.8% for the Euro area
- ❖ **Growth potential through leverage** → Govt. debt to GDP at 21.0% for Bulgaria and 48.9% Romania vs. 89.9% for Eurozone; gross private debt at 80% and 44% respectively vs 128% for the Euro area
- ❖ **Strong domestic demand** → buoyed by rising household incomes and supportive fiscal initiatives
- ❖ **EU/Eurozone membership** → Bulgaria and Romania are EU, NATO and Schengen members, with access to common European market, cohesion funds and financial stability mechanisms. Bulgaria joined ERMII in 2020 with EURO zone admission expected in 2025.
- ❖ **Regulatory framework** fully synchronized with EU legislation.
- ❖ **Lowest labor costs, business expenses and taxes in EU** → Well-educated and cheap workforce, low overall costs attracting international business; 10% flat tax rate
- ❖ **Strategic location** → ideally situated for trade links b/n Western Europe, Middle East and Asia. Significant improvement in infrastructure with major projects in the works.
- ❖ **Strong support from EU cohesion and RRP funds** → €17 bln to Bulgaria and €60 bln to Romania for the period b/n 2021-2027 (ca. 4% GDP p.a.)

strategic location

growing economies

low costs

# Why NOW is a Good Time to Invest

- ◆ Higher for longer global rates favor **value sectors and quality factor** (75%-80% share of value sectors in Balkan markets)
- ◆ **Low Mkt Cap/GDP** → ca. 8% for Bulgaria and ca. 21% for Romania vs 112% for global market, so ample room for growth
- ◆ **Strong catch-up potential** → Bulgaria is around 55% below 2007 peak
- ◆ **Among lowest valuations globally** → TTM P/E at **6.4x for the Bulgarian SOFIX index, 8.8x for the Romanian BET** vs. 21.6x for Developed Markets and 15.10x for Global EMs
- ◆ High dividend yields → appr. **5% for both local indices** and in the low-to-mid teens for selected portfolio stocks
- ◆ Balkans **largely underweight in global investment portfolios**
- ◆ **Nearshoring trends** driven by COVID and East-West geopolitics benefit region
- ◆ Buoyant **tech** sector → gaming, cyber-security, digital services
- ◆ Bulgaria and Romania among biggest beneficiaries of EU **COVID-related fiscal support package**; recovery from COVID-induced recession much stronger than expected
- ◆ **Bulgaria** aiming to adopt the euro by July 2025. **Euro area membership** should improve foreign investors' perception and **could drive inflows** to the market

catch-up potential

low valuations



*Rila Monastery, Bulgaria*

# KAROLL CAPITAL: COMPANY OVERVIEW



## Unique heritage in Emerging Europe

- ◇ Founded in Sofia in 2003 with 20+year track record in regional market allocation and stock selection
- ◇ Independent, specialized and pioneering
- ◇ Highly qualified team with low turnover
- ◇ Part of Karoll Financial Group – a diversified financial conglomerate founded in 1993, with asset management, investment banking, brokerage, private equity and insurance arms

## Steady business growth from diversified business lines

- ◇ AUM of €300+ mln in funds, SMAs, advisory mandates and wealth management, incl. 4 UCITS funds managed in-house
- ◇ Regional distributor of 200+ third-party global funds

## Crisp focus on Emerging Europe

- ◇ Native understanding of local market dynamics, no language or cultural barriers
- ◇ On-the-ground research coverage of wide range of companies
- ◇ 100+ years of combined financial markets experience of Investment Committee members
- ◇ Investment strategies consistently outperforming benchmarks

## International perspective

- ◇ Represented by Waystone Fund Services in Switzerland and HDC (Hyundai) Securities in Korea
- ◇ Regional representative of Schroders Investment Management, UK
- ◇ Structured product partnership with Goldman Sachs
- ◇ The first local signatory of the UN's Principles of Responsible Investing

entrepreneurial

flexible

independent

# KAROLL CAPITAL MANAGEMENT ORGANIZATIONAL STRUCTURE



# KAROLL CAPITAL MANAGEMENT ORGANIZATIONAL STRUCTURE

## 1. Screen

- In-house and external screening tools
- Sourcing ideas from 3rd party research
- Conference attendance
- Company visits
- ESG sector exclusions
- Market intelligence

## 2. Study

- In-depth analysis conducted in-house
- Sector dynamics assessment
- Business model review, assessment of ability to generate return > cost of capital
- Identifying companies with increasing margins and low debt
- Calculation of intrinsic value
- Analyst proposal to PMs

## 3. Shape

- Investment Committee decides on country and sector allocation limits
- PMs decide on inclusion of stocks in portfolios and weight in line with mandate constraints and risk parameters
- Benchmark unconstrained approach – at a country and individual stock level

## 4. Supervise

- Regular review of portfolio components' fundamentals
- Exit discipline: excessive valuation; unexpected deterioration in fundamentals; loss of confidence in management
- Monthly attribution analysis to determine how performance is affected by allocation & selection and quantify true alpha
- Risk management: oversight by CRO and investment committee



The Four S's of our Process

Screen

Study

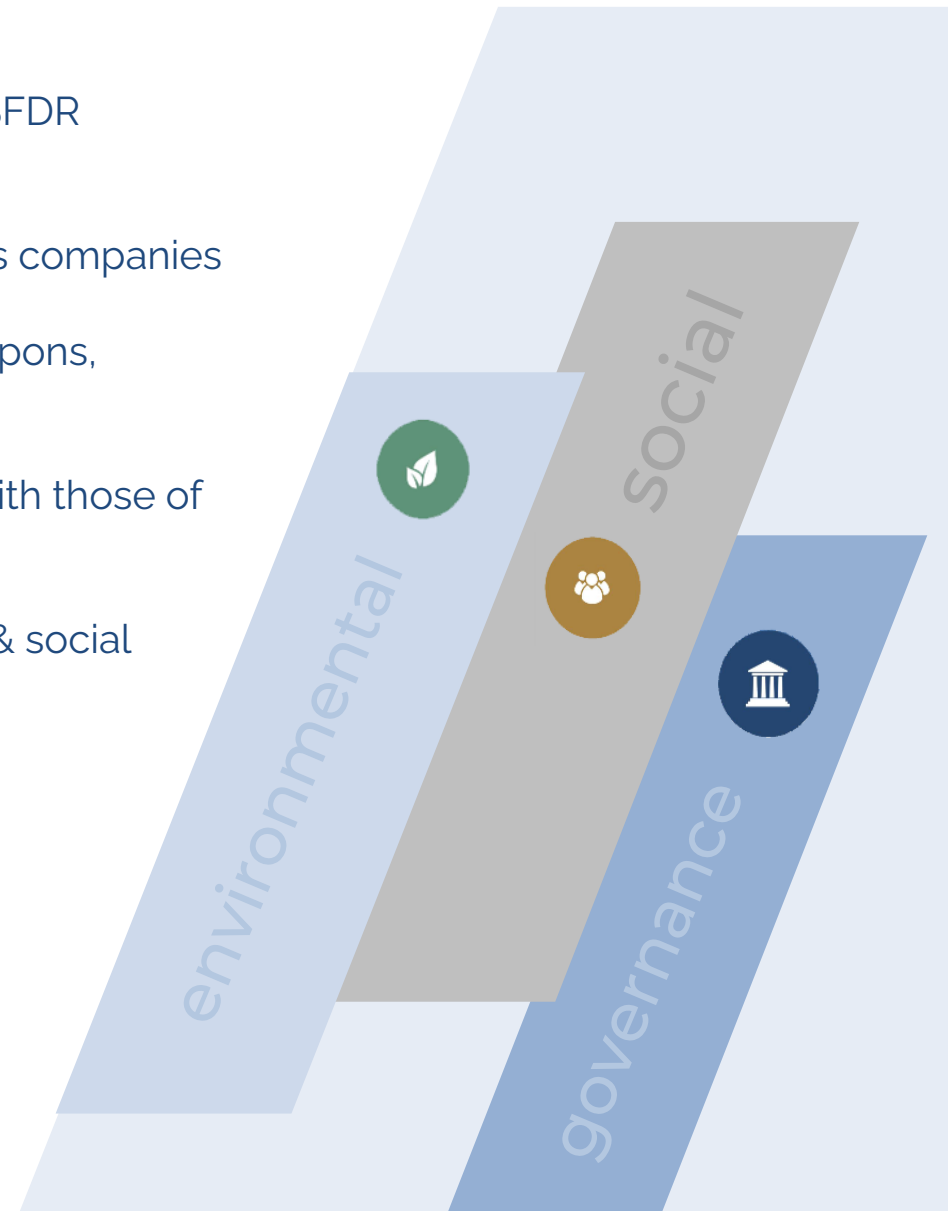
Shape

Supervise

# Karoll Capital's ESG process & criteria

- ❖ Internal Sustainable Investment Policy in place, in compliance with the EU SFDR directive
- ❖ Using a blend of external and internal ESG scores to select the best-in-class companies
- ❖ Exclusion of companies generating majority of revenues from tobacco, weapons, pornography, fracking, coal mining
- ❖ Assessment of corporate governance → alignment of interests of owners with those of minorities; management must act to minimize risk of corruption
- ❖ Environmental and social factors → does company address environmental & social issues in its operations
- ❖ Active ownership approach

*Signatory of:*



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